

Message Text

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NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 PRS-01 OPIC-12

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AMEMBASSY LONDON

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SUBJECT: PRESS CONFERENCE OF FRENCH FINANCE MINISTER

FOURCADE ONYSERT WEEKEND'S MEETING OF FINANCE MINISTERS

1. SUMMARY. - IN LATE AFTERNOON OF SEPTEMBER 8, FRENCH ECONOMICS AND FINANCE MINISTER FOURCADE HELD PRESS CONFERENCE ON WEEKEND MEETING NEAR PARIS OF FINANCE MINISTERS OF US, UK, FRANCE AND GERMANY AND REPRESENTA-
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TIVE OF JAPANESE FINANCE MINISTER. CENTRAL BANKERS FROM

COUNTRIES CONCERNED ALSO PARTICIPATED. ITALIAN TREASURY MINISTER COLOMBO AND BANK OF ITALY GOVERNOR CARLI JOINED MEETING LATE SATURDAY. ACCORDING TO TODAY'S PARIS PRESS, FOURCADE SAID PRINCIPAL SUBJECTS DISCUSSED WERE PROBLEMS OF INFLATION, WORLD OIL PRICES, INTERNATIONAL FINANCIAL MARKETS, AND CENTRAL BANK ACTION RE FOREIGN OPERATIONS OF COMMERCIAL BANKS. RESUME OF FOURCADE'S REMARKS FOLLOWS.

2. INFLATION. - THIS PROBLEM WAS AT CENTER OF DISCUSSIONS. PARTICIPANTS WERE AGREED ON FUNDAMENTAL NECESSITY OF FIGHTING INFLATION WITHOUT REDUCING LEVEL OF WORLD ECONOMIC ACTIVITY AND WITHOUT JEOPARDIZING EMPLOYMENT. IT WAS AGREED THAT EVERYTHING MUST BE DONE TO AVOID SITUATION WHERE RESULTS OBTAINED BY SOME COUNTRIES WOULD BE AT EXPENSE OF OTHERS.

3. WORLD OIL PRICES. - THE MINISTERS REVIEWED MEASURES TO FINANCE EXTERNAL DEFICITS STEMMING FROM MASSIVE INCREASES IN PETROLEUM PRICES. THEY ALSO CONSIDERED MEANS TO MAKE THEIR ECONOMIES MORE INDEPENDENT OF OIL IMPORTS, WHICH ARE "BURDENSOME AND UNSETTLING ELEMENT." RE FORTHCOMING OPEC MEETING, FOURCADE SAID THERE WERE TWO POSSIBILITIES: FIRST, THAT PRODUCER COUNTRIES WOULD SET THEIR PRICES IN FUNCTION OF RATE OF INFLATION IN CONSUMER COUNTRIES. SECOND, THAT THEY WOULD DECIDE TO LIMIT QUANTITIES OF OIL PRODUCED. BALANCE-OF-PAYMENTS EFFECTS ON CONSUMER COUNTRIES WOULD NOT BE THE SAME IN THESE TWO CASES.

4. INTERNATIONAL FINANCIAL MARKETS. - THE MINISTERS AGREED ON NEED TO INTENSIFY EXCHANGE OF INFORMATION AMONG MONETARY AUTHORITIES RE OPERATIONS TAKING PLACE ON INTERNATIONAL CAPITAL MARKETS. THEY ALSO AGREED ON NECESSITY OF STRENGTHENING AND DIVERSIFYING MECHANISMS FOR RECYCLING PETRO-DOLLARS.

5. ACTION OF CENTRAL BANKS. - THE MINISTERS FELT IT WOULD BE APPROPRIATE TO STRENGTHEN SUPERVISION OF EXTERNAL OPERATIONS OF COMMERCIAL BANKS. THEY NOTED WITH UNCLASSIFIED

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SATISFACTION THAT CENTRAL BANKS REPRESENTED AT MEETING WOULD TAKE MEASURES (WHICH WILL BE SPELLED OUT IN COMING WEEKS) "TO ASSIST NATIONAL AND FOREIGN BANKS" IN OVERCOMING "TEMPORARY LIQUIDITY PROBLEMS."

6. FOURCADE EMPHASIZED THAT MEETING WAS CHARACTERIZED BY SPIRIT OF COOPERATION AND FRANKNESS. REJECTING ACCUSATION THAT FINANCE MINISTERS OFTEN TENDED TO BE TOO

OPTIMISTIC, HE QUOTED SECRETARY SIMON AS SAYING DURING DISCUSSIONS, "WE ARE NOT OPTIMISTIC, WE ARE DETERMINED."

7. FOURCADE ALSO SAID MINISTERS HAD DECIDED TO MEET ON REGULAR BASIS IN FUTURE (SOME REPORTS SAY MONTHLY). THEY WOULD NO LONGER ATTEMPT TO KEEP SECRET FACT THAT MEETINGS WERE BEING HELD. DEPENDING ON SUBJECTS UP FOR DISCUSSION, OTHER COUNTRIES MIGHT BE INVITED TO PARTICIPATE, AS ITALY WAS THIS TIME.

8. FOURCADE SAID MEETING HAD NOT DISCUSSED QUESTION OF GOLD.
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